

**From:** Rob Runett, Motley Fool Funds <Fool@foolsubs.com>  
**Sent:** Thursday, July 26, 2012 11:12 AM  
**To:** Hanchett, James (DPH)  
**Subject:** Why our fund received Five Stars - and how to get invested

## Big News: Motley Fool Independence Fund Received Five Stars!



Overall Morningstar Rating<sup>1M</sup>  
(Based on Risk-Adjusted returns out of 706 World Stock Funds, as of 6/30/2012.)

Have YOU heard the big news? Motley Fool Independence Fund just received **Five Stars from Morningstar** -- the highest possible rating, earned by just 10% of funds in its Morningstar category.

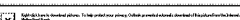
You'll see the total returns for Motley Fool Independence Fund below. **But first, find out what we're doing differently since we received a Five Star rating...**

To your wealth,



Bill Mann  
Portfolio Manager  
Motley Fool Independence Fund

*Past performance is no guarantee of future results.*



## They Laughed When We Launched a Mutual Fund...

**But guess who's laughing now? Our shareholders! Discover why Morningstar rated Motley Fool Independence Fund Five Stars.**

Dear Fellow Investor,

When we launched our first mutual fund in June 2009, Chuck Jaffe, a veteran *MarketWatch* columnist, grumbled...

### Motley Fool Independence Fund Performance and Fees as of June 30, 2012

**Independence Fund**  
Cumulative Total Return  
Since Inception (June 16, 2009)  
Fund: 53.81%  
MSCI World Index: 39.61%

Annualized Total Return  
Since Inception  
Fund: 15.22%  
MSCI World Index: 11.61%

1 Year Total Return  
Fund: -1.06%  
MSCI World Index: -4.42%

A high rating does not assure favorable performance, in fact the fund experienced negative returns for the for the 1-year period.

Expense Ratio  
Gross (as stated in the prospectus 02/29/2012): 1.58%\*  
Net: 1.49%\*\*

\* The Fund's net expense ratios reflect fee waivers and expense

"An investor who takes a chance on the brand new Motley Fool Independence Fund before it proves that it can deliver on the big talk of its founders would be making the 'Stupid Investment of the Week.'"

Ouch! But in some small way, he was right. We *hadn't* proven ourselves.

Yet thousands of your fellow investors still entrusted us with almost \$100 million that first year alone. We're grateful that they did. And I imagine they're glad they did too...

Motley Fool Independence Fund has earned them 54% since inception, beating its benchmark, the MSCI World Index, by 14 percentage points.

And what's more -- **Motley Fool Independence Fund received a Five Star overall rating from Morningstar, based on performance and risk calculations.**

## How we'll be investing differently since we received a Five Star rating...

While our team certainly respects Morningstar -- a little outside validation never hurt anyone, of course -- it's never been our goal to win industry praise.

Instead, we strive to achieve long-term capital appreciation for shareholders.

And I think you'll agree we've been successful so far... achieving annualized returns of 15.2%! That's almost 4 percentage points more than the MSCI World Index.

And though we can't guarantee that the Independence Fund will continue to perform so well, we do believe this performance was no accident...

Instead, we'd humbly suggest that our relentless value focus, combined with our contrarian, outsider's perspective and disciplined approach had more than a little to do with it.

Not to mention our ability to "go anywhere" in the world in search of the very best opportunities, regardless of market cap, industry, or geographical location. It's a strategy that's practically custom-made for today's globalized, crisis-driven market.

**And that's why that, since we have received a Five Star rating... we're not going to do a single thing differently.**

Read on to discover more about our Motley Fool Independence Fund strategy, and how you can declare your independence today...

## A different kind of mutual fund company

Motley Fool Funds is not your typical mutual fund company.

Our entire staff occupies just one unassuming corner of the first floor of the old Time-Life building in Alexandria, Virginia -- a world away from the massive Wall Street banks and huge financial-services conglomerates whose skyscrapers you see advertised on TV.

We don't have a bustling trading desk, or a seat on the exchange. Nor do we hobnob with investment bankers or hedge-funders.

Frankly, we're small. And we keep things simple. So be aware...

**Being rated Five Stars is great. But it's not our focus.** When you invest with us at Motley Fool Funds, you are investing in partnership with a small, dedicated team of stock analysts and a value-obsessed manager whose sole mission in life is to *dig up the market's hidden opportunities*.

In other words, the kind of investment opportunities that we're convinced can help YOU build your wealth and get you securely on the road to reaching your long-term financial goals.

## And then there's the advantages of "going anywhere"

Some mutual funds focus on small companies. Others invest in mega caps... domestic growth stocks... or overseas opportunities. You might presume their managers -- the good ones at least -- have a wealth of specialized knowledge about their niche.

We think that's fine -- *for them*.

But we opted for a different approach for you at Motley Fool Independence Fund. Our investing team has no *specific* mandate.

Instead, the Independence Fund is a "go anywhere" fund.

*reimbursements by the investment adviser. The Adviser has contractually agreed to pay, waive or absorb a portion of the Independence Fund's expenses through the end of February 2013, or such later date as may be determined by the Independence Fund and the Adviser. The Fund's performance would have been lower if the waivers/ reimbursements had not been in effect.*

*\* The Independence Fund Net Expense Ratio includes a monthly performance adjustment of 0.14% (as of July 1, 2012).*

*The performance data quoted represents past performance and does not guarantee future results. Current performance may be lower or higher. For performance current to the most recent month-end, please visit [www.foolfunds.com/funds/independence/summary](http://www.foolfunds.com/funds/independence/summary). The investment return and principal value of an investment will fluctuate so that shares, when redeemed, may be worth more or less than their original cost.*

*A redemption fee of 2.00% of the then-current value of shares redeemed is imposed on redemptions of shares made within 90 days of purchase, subject to certain exceptions.*

*Unlike a mutual fund, the performance of a market index is not affected by fees, expenses, and taxes.*

We might simultaneously be evaluating the world's largest technology company and a small, promising retail company from Malaysia...

We're as likely to invest your money in North Dakota's largest electric utility as in a nut merchant based in Singapore.

Among other things, this "go anywhere" ability allows us to avoid asset classes and regions that we think are overheated.

It also allows us to zero in on what we believe are the very best opportunities across the full market-cap spectrum and all over the globe.

In other words, times of great uncertainty and volatility -- *such as those we see today* -- are a sort of market nirvana for us. In no small part, that's because companies we know and admire suddenly drop to prices we believe to be significantly below their fair market values.

Our investing process is grounded in the belief that, eventually, the market wakes up to true value. That ownership in the world's very best companies offers shareholders like you a genuine opportunity to increase your long-term wealth.

## Our award-winning fund manager



Bill Mann, Motley Fool Funds  
portfolio manager

For years, he was among the most widely followed of all of The Motley Fool's independent stock analysts. He was read regularly by investors worldwide.

In 2001, he went to bat for the individual investor before Congress, where he let loose on the stomach-churning abuses of Ken Lay's gang of white-collar crooks at Enron, among others.

Yet for all his work championing the individual investor, Bill Mann is first and foremost a dedicated stock analyst with a passport full of stamps from six continents and years of business and investing experience.

We believe this is a fortunate combination indeed. It's your opportunity to invest with a 2011 Institutional Investor "Rising Star" -- and an analyst who combines of deep understanding of global markets with an unshakeable temperament and a lifelong commitment to you, the individual investor.

There's another way Motley Fool Independence Fund is a little bit different from your typical mutual fund...

For starters, Motley Fool Independence Fund is a no-load fund. That means you never pay an up-front sales charge or commission to invest with us. You aren't made to pay so-called 12b-1 fees to help us market the fund, either.

And did we mention that we get paid for beating the market?

If we don't outperform our benchmark, we make less. That's because we've opted for an unusual compensation model that allows our fees to increase or decrease depending on the fund's performance.

In the industry, this is called a 'fulcrum fee' structure. You can learn more about how it works by reading the fund prospectus. (To see other fees associated with the fund, you may also consult the fund prospectus.)

This unusual component of our fee structure gives us the incentive to earn the highest possible return relative to the market, not merely pump up the fund's assets the way most other funds do.

Just as important, our award-winning portfolio manager, Bill Mann, is a meaningful shareholder in the fund... So he's investing right along with you.

So you see, our interests really are aligned with yours, in more ways than one.

## Your full Fool Funds experience

Here are a few more features and benefits you can always count on receiving from Motley Fool Funds...

**Unwavering temperament:** Because investing for your future is a marathon, not a sprint, we don't try to time the ups and downs of the market. We don't get rattled in rocky waters... or chase the latest Wall Street fad.

We invest your money with confidence -- comfortable in the knowledge that if we've done our homework and bought great companies at good prices, the market may eventually see it our way.

**Frank, friendly communications:** We don't hide from you if things get tough. We'll talk to you frankly, in plain English, like a trusted partner.

At Motley Fool Funds, we hope you'll look forward to hearing from us -- as we will certainly look forward to hearing from you.

**Fair, performance-based fees:** At Motley Fool Funds, we have a financial incentive to help you do better than the market. We've chosen a compensation model that allows our management fees to increase or decrease depending on the performance of the fund.

In other words, our interests are aligned with yours. For more on our unusual performance-based 'fulcrum fee' structure, please read the fund prospectus.

**21st-century convenience:** The Motley Fool is an Internet success story, after all. Now, thanks to our secure, interactive website, FoolFunds.com, getting invested and managing your account has never been easier or more convenient.

## A word about risk...

Of course, all investments come with risks. We don't promise that you'll make money with the fund. Over any given time period, no matter how hard or how long the fund's investment advisor works, the value of the fund could go down, and you could lose money, including principal.

We endeavor to find companies that are both great businesses and great investments, but there can be no guarantee that we will succeed.

And because the fund is free to invest in companies of any size around the world, at times we may be heavily invested in small-cap stocks and foreign securities, each of which presents extra risk. Small-cap stocks tend to be more volatile and less liquid than their large-cap counterparts. Fluctuations in currency exchange rates can cause losses when investing in foreign securities, with emerging markets presenting additional risks of illiquidity, political instability, and lax regulation. We strongly encourage you to read more about the fund's strategies and risks in the prospectus.

Motley Fool Independence Fund seeks to achieve long-term capital appreciation by investing primarily in common stocks and equity-related securities. The fund is not for everyone. If you're seeking something other than long-term capital appreciation -- for example, current income to live on -- or if you're not comfortable with the risks, or if you expect to need your money back soon, this is not the fund for you.

## Are you ready to invest? Hold on! Don't send us a penny unless...

As a member of The Motley Fool community, you know the routine. At Motley Fool Independence Fund, we're looking for patient, long-term investors. Shareholders whose investing temperament matches our own.

Frankly, we'd rather not take on investors who are tempted to pull out when stocks temporarily go on sale -- in other words, precisely when WE are most eager to go shopping for bargains.

Plus, unlike what we believe many other mutual funds are doing, we intend to be long-term, buy-and-hold investors. And not just because it makes life easier for our management team.

We firmly believe -- and the vast preponderance of evidence shows -- that attempts at market timing put YOU at a grave disadvantage and greatly reduce your chance of outperforming the market over the long term.

For this reason, and to keep the fund's expenses low, we discourage small accounts and short-term trading by assessing a \$24 annual fee on accounts of less than \$10,000 in value, as well as a 2% redemption fee on shares redeemed within 90 days of purchase. (The redemption fee is paid directly to the fund and is designed to offset brokerage commissions, market impact, and other costs associated with short-term trading of fund shares.)

## Declare your independence!

If you ARE a patient, long-term investor looking for the potential to build your wealth over time... and you're looking for a mutual fund that is more Foolish than most, Motley Fool Independence Fund may be just the thing for you.

We'd be happy to have you along with us on this lifelong journey...

Your next step is just as easy.

Get invested in Motley Fool Independence Fund now. Simply click the link below to get started. You'll have the chance to look over the fund prospectus. You'll also have the chance to purchase shares.

Click the link below to get started. Declare your independence!

**Get Invested!**

Good Investing!



Rob Runett  
Retail Funds Director  
Motley Fool Asset Management, LLC

**P.S. DID YOU KNOW...** You can now invest in **Motley Fool Independence Fund (FOOLX)** through a growing number of leading U.S. brokers -- including **Fidelity, Charles Schwab,**

TD Ameritrade, Scottrade, USAA, Vanguard, E\*Trade, and others -- making it even easier to take the first step toward achieving your financial goals.

Please contact your brokerage firm to find out if it offers the Independence Fund.

Or, if you'd rather invest directly with us, our online process only takes three minutes. Simply go to [www.FoolFunds.com](http://www.FoolFunds.com) now to open an account.

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*Please consider the charges, risks, expenses and investment objectives carefully before you invest. Please [click here](#) to see a prospectus containing this and other information. Read it carefully before you invest or send money.*

*The investment advisor for Motley Fool Independence Fund is Motley Fool Asset Management, LLC, a wholly owned subsidiary of The Motley Fool Holdings, Inc., which is a multimedia financial-services holding company.*

*A redemption fee of 2.00% of the then-current value of shares redeemed is imposed on redemptions of shares made within 90 days of purchase (i.e., the redemption is effective on or before the 90th day following the date of purchase), subject to certain exceptions.*

*For each fund with at least a three-year history, Morningstar calculates a Morningstar Rating™ based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a fund's monthly performance (including the effects of sales charges, loads, and redemption fees), placing more emphasis on downward variations and rewarding consistent performance.*

*The top 10% of funds in each category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars and the bottom 10% receive 1 star. The Overall Morningstar Rating is derived from a weighted-average of the performance figures associated with its three-, five-, and ten-year, (if applicable) Morningstar Rating metrics. The Motley Fool Independence Fund was rated 5 stars for the 3-year period among 706 World Stock Funds based on Risk-Adjusted Returns as of 6/30/12. Past performance is no guarantee of future results.*

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*\*The Rising Stars of Mutual Funds are chosen annually by the publishers of Institutional Investor News and represent individuals whose accomplishments in and contributions to the industry make them stand out among their peers and position them as future industry leaders. Award winners were required meet the following criteria: leadership in portfolio returns and/or winning strategies; notable contributions to growth in assets and/or client base; formal recognition by their firm and/or industry groups; active contributor to the broader mutual fund community; and other quantifiable contributions to their firm and/or industry. More than 30 nominees were considered. Bill Mann was one of seventeen nominees selected as 2011 Rising Stars of Mutual Funds in April 2011. Past success is no guarantee of future success.*

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